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BCStats

Infoline

Contact: bcstats.infoline@gov.bc.ca *Issue: 11-15* *April 15, 2011*

- **Value of BC exports drops 3.4% in February**
- **Housing starts in BC plummet 23.6% in March**
- **Sales by BC's manufacturers inch ahead 0.9% in February**

The Economy

- **The value of British Columbia's exports continued to slip (−3.4% *seasonally adjusted*) in February, following a 1.0% decline in January.** A double-digit drop in shipments of industrial & consumer goods (−14.3%) was the main contributor to the decline, while agriculture & fishing (−2.8%) and forestry (−3.6%) products suffered more moderate decreases. Meanwhile, shipments of energy (+5.3%) and automobile, machinery & equipment (+3.7%) products were higher. Overall, US-bound goods were off 1.6%, while shipments to other countries declined more notably (−4.7%).

  Nationally, exports dipped 4.9% in February, with nearly all principal commodity groups posting decreases. A slight increase in exports to Japan (+0.5%) did not manage to mitigate much of the ground lost in other markets such as the US (−3.5%) and the European Union, where shipments plummeted (−23.0%).

  Data Source: Statistics Canada & BC Stats

- **Manufacturing sales in British Columbia rose 0.9% (*seasonally adjusted*) in February, building on a 2.3% increase in the previous month.** Despite weaker shipments by makers of paper products (−4.8%), sales of non-durables inched ahead (+0.2%) due to gains made by the beverage & tobacco (+6.2%) and food (+0.7%) product industries. Durables were up 1.6% as flagging sales by wood (−0.8%) and machinery (−1.9%) manufacturers were offset by a jump (+9.2%) in shipments by producers of primary metals.

  Canada-wide, manufacturing sales fell 1.5% with lower sales reported in 15 of 21 industries. Chief among these was a double-digit drop (−10.9%) in sales by producers of motor vehicles. Newfoundland & Labrador (−20.0%) posted the largest monthly decline, while slowdowns in Quebec (−2.5%) and Ontario (−1.6%) contributed the most to the decline at the national level.

  Data Source: Statistics Canada

- **Room revenues in British Columbia advanced 2.1% (*seasonally adjusted*) in December.** Vancouver Island/Coast (+5.6%), Thompson/Okanagan (+3.3%), Kootenay (+5.4%), Cariboo (+9.2%), North Coast (+3.5%), Nechako (+4.6%) and Northeast (+23.6%) drove the provincial upswing. However, room receipts in Mainland/Southwest dropped (−1.4%) for the second consecutive month.

  Revenues for most accommodation types bounced back in December. Room revenues were up at small (1-75 rooms; +4.2%), mid-sized (76-150 rooms; +2.4%) and large (151-250 rooms; +6.1%) hotels, as well as at motels (+2.6%), vacation rentals (+13.9%) and other accommodations (+8.2%). Only very large (251+ rooms; −5.6%) hotels saw a drop in room revenues in December. *Data Source: BC Stats*

- **The number of new motor vehicles sold in British Columbia rose 3.0% (*seasonally adjusted*) in February.** Nationally, 0.6% fewer

Report

Gauging the Impact of Japan's Natural Disaster on BC's Exports

Did you know...

Approximately 80% of British Columbians admit that their homes are at least moderately cluttered. This compares with 85% of Albertans, 76% of Ontarians and 52% of Quebecers.

Data Source: Ipsos Canada

cars and trucks rolled off of dealership lots in February, with weaker truck sales (−1.5%) the primary reason for the slowdown. Sales were notably stronger in BC (+3.0%) and Ontario (+1.4%). However, these gains were offset by fewer sales in New Brunswick (−6.9%), Newfoundland & Labrador (−6.5%), Saskatchewan (−5.9%) and Quebec (−4.4%).

Data Source: Statistics Canada

Housing

- **Investment in non-residential building construction in British Columbia edged down 0.1% (*seasonally adjusted*) during the opening quarter of 2011.** While spending in the institutional & government sector rose 4.3% compared to the previous quarter, investment in both the industrial (−2.6%) and commercial (−2.4%) sectors was notably weaker.

  At the national level, spending on non-residential building projects advanced 1.3%, reflecting expanded commercial (+2.4%) and industrial (+5.3%) expenditures. Higher levels of investment in Quebec (+3.7%) and Ontario (+2.5%) contributed the most to the national increase. Manitoba (+5.0%) was the only western province to register an increase in non-residential building construction.

  Data Source: Statistics Canada

- **Housing starts in British Columbia fell 23.6% (*seasonally adjusted*) in March, following a 2.6% decline in February.** Urban starts in the province slumped (−23.4%), mainly due to a slowdown in the number of multiple-unit projects (−30.5%). Rural starts were also significantly lower (−25.0%).

  Canadian starts were up 2.8%, as increased construction activity in Ontario (+13.7%) and Quebec (+14.1%) offset declines in the western provinces and parts of Atlantic Canada.

  Data Source: CMHC

2010 in Review

- **Room revenues generated in British Columbia jumped 12.2% in 2010, a sharp rebound from the 11.8% drop registered the year before.** Leading the way was Mainland/Southwest, where heightened demand surrounding the Olympics helped receipts surge ahead by roughly one-fifth (+20.3%). Northeast (+12.8%) and North Coast (+12.6%) also registered considerable gains during the year. Thompson-Okanagan (+6.8%), Nechako (+5.3%) and Cariboo (+3.9%) all posted moderate gains, while Kootenay (−2.9%) and Vancouver Island/Coast (−1.2%) saw revenues slide lower for a third straight year.

  All categories of accommodation registered higher revenues in 2010. However, BC's hotel operators experienced the largest increase (+14.6%) and accounted for nearly nine-tenths (88%) of the increase in total provincial room revenues. *Data Source: BC Stats*

Life Expectancy

Life expectancy at birth, has improved significantly in British Columbia since the early 20th century, rising from 62.0 years in 1921 to 82.4 years by 2010. Male life expectancy has always been somewhat lower than that for females, however the gap between male and female life expectancy has changed considerably over this time. In 1921, male life expectancy was 60.3 years, while the life expectancy for females was 64.2, yielding a gap of 3.9 years. This gap between the sexes declined over the next decade and a half, reaching a low of 2.9 years by 1936. However, after 1936 it began to widen, climbing to 7.9 years by 1975 before once again trending lower. By 2010, the difference had shrunk to 4.2 years with male life expectancy rising to 80.3 years and females expected to live 84.5 years. The expansion in the gap during the early-to-mid 20th century was at least in part due to a reduced risk of maternal death during childbirth, while its later narrowing was related to improved cardiac health, particularly among men. *Data Source: Statistics Canada & BC Stats*

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For data originating from Statistics Canada, data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the catalogue number.

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Originally published in *Exports*, February 2011

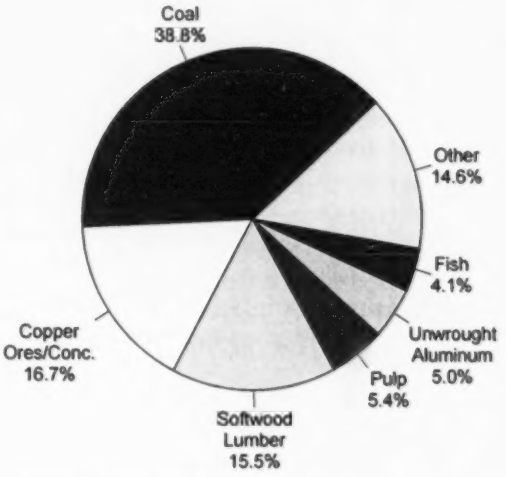
Gauging the Impact of Japan's Natural Disaster on BC's Exports

The devastating earthquake and the subsequent tsunami that struck Japan in March cost thousands of lives and has left hundreds of thousands homeless. In addition to the human hardship it has caused, the natural disaster could potentially delay the economic recovery in Japan, which could also impact economies in other areas of the world, including British Columbia. However, the consensus opinion among most economists appears to be that the economic impacts of this tragedy are likely to be short-lived. In fact, the rebuilding efforts will, somewhat perversely, almost certainly provide some stimulus for Japan's economy.†

This is obviously good news for Japan going forward, but there is still the potential for fairly severe economic disruptions in the short-term. For example, the damaged nuclear reactors have resulted in a significant loss in electrical generation capacity, which will likely impact industrial production in Japan until the lost capacity can be replaced, either by getting the nuclear facilities back on-line, or by finding alternative energy sources.

Already a number of Japanese factories have been closed, including steel and automobile manufacturing facilities. As a supplier of raw materials to Japan's industrial sector, some BC exporters could face a downturn in business with Japan. In 2010, the province's top exports to Japan were coal (39%), copper ores and concentrates (17%) and softwood lumber (16%). Of these, coal and copper are the most likely to experience a slump in demand from Japan.

Coal was the top good exported from BC to Japan in 2010



Source: BC Stats and Statistics Canada

Metallic mineral products such as copper ores and concentrates and unwrought aluminum, which together represented more than a fifth of BC's exports to Japan in 2010, are used in the manufacture of automobiles, electronic goods and other products. With the temporary shutdown of some of the factories that manufacture these goods, there could be a decline in demand for these inputs. On the other hand, these materials are also used in construction of housing and there will be an urgent need for new housing in the affected areas, so it is difficult to gauge whether demand for these goods will rise or fall.

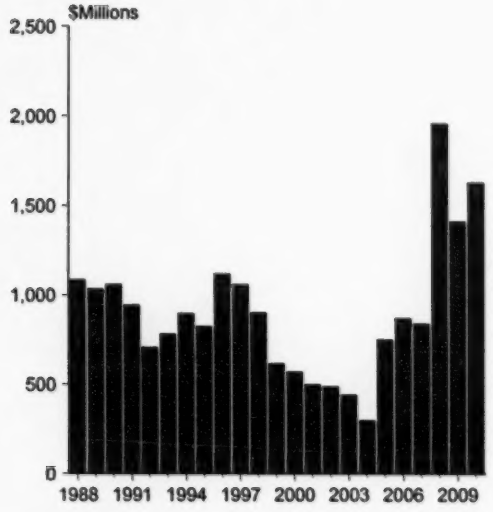
The situation may be more clear cut with respect to coal. Even though, given the loss of energy from the nuclear reactors, there will be a boost in demand for other sources of energy, including

† For example, according to analysis by CIBC Global Asset Management Inc. on the effect of other recent disasters, "The Indonesian economy grew slightly faster than it would have in the wake of its 2004 tsunami, and Chile's economy is stronger a year after its earthquake."

CIBC Global Asset Management, "The Economic Aftershocks of the Japanese Earthquake," *Market Insight*, p. 3, March 2011.

coal, the type of coal Japan needs is different from what BC usually provides. Almost all the coal shipped out of BC is metallurgical coal, which is mainly used in the production of steel. The type of coal used in power generation is thermal coal. With the closure of some of Japan's steel mills, there could be a significant drop in demand for metallurgical coal. However, any such decline in demand for coal from BC is likely to be a short-term phenomenon and there is the possibility that BC could ramp up the production of thermal coal if warranted by higher prices. As such, the impact on BC's coal sector is likely to be small and transitory. However, if Japan's steel mills remain out of commission for longer than expected, the impact could be more severe.

BC's coal exports to Japan have been strong in recent years, but they might be impacted by the recent natural disaster



Source: Statistics Canada

For many of BC's other resource sectors, Japan's natural disaster could ironically have a positive impact. For example, following the devastating earthquake in Kobe, Japan early in 1995, there was an increase in demand for goods from BC, including building products, such as lumber. While some of the growth may have occurred anyway, it is likely that at least a portion of the increase was a result of rebuilding from the earthquake. Given that the more recent earthquake was far more severe than the Kobe quake, particularly since it was accompanied by a tsunami that ramped up the destruction, there will be an even greater demand for goods to assist in the rebuilding effort. In addition, the damage to the nuclear facilities will also boost demand for certain goods.

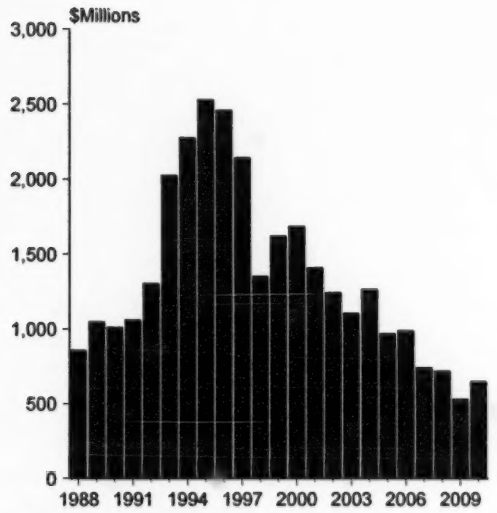
For example, shortly after the disaster occurred, there were already queries from Japan about the possibility of increasing shipments of seafood products. Given the fears over contamination from the nuclear reactors, there will likely be an even greater jump in demand for seafood. This could provide a boost to BC's seafood industry; however, supply constraints will probably limit the ability of the seafood sector to ramp up exports.

The problems at the nuclear facilities will force Japan to find alternative sources of energy in the short-term, which could include thermal coal and natural gas. Given the absence of a gas export facility in North America and the fact that most of BC's coal is metallurgical, rather than thermal, it is unlikely that the province will be a major supplier of these goods. However, if the nuclear meltdown results in a long-term push toward other energy alternatives, the demand for natural gas could rise, which may improve the chances of an export facility being built in British Columbia. Specifically, there are plans for a liquefied natural gas (LNG) plant to be built in Kitimat, with the aim to begin production in 2015. This would be the only LNG export facility in North America. Given the current glut of natural gas on the continent and the greater demand for gas elsewhere in the world, such a facility would give BC a tre-

mendous advantage and could revitalize the natural gas sector.

While a boost to natural gas exports is a long-term prospect, there are more immediate possibilities for BC exporters. As already mentioned, there will be an urgent need for new housing to replace those houses destroyed by the earthquake and tsunami. This means that there will be a significant increase in demand for building products, such as softwood lumber. BC's exports of softwood lumber to Japan have been trending down for almost two decades and this new demand could help stop or even reverse that slide.

Softwood lumber shipments to Japan have been trending down for almost two decades



Source: Statistics Canada

In general, there has been reluctance on the part of the Japanese to embrace two-by-four construction techniques. Although Japanese houses have historically been made of wood, they have traditionally employed post and beam construction techniques, which, for the most part, use different types of building products than those exported from British Columbia. However, two-by-four construction started to gain popularity in Japan in the 1980s and when the structures built using two-by-four construction techniques fared well during the Kobe earthquake, it helped further boost their profile in Japan.

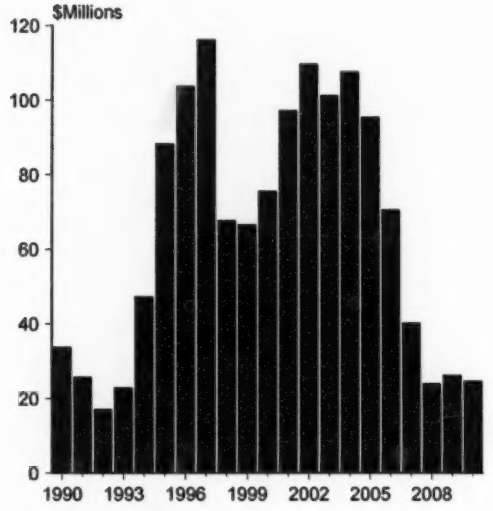
In the last 20 years, the growth in housing starts for two-by-four houses has generally exceeded that of overall housing starts in Japan. Nevertheless, lumber shipments to Japan have been trending down as British Columbia has lost market share to competition from regions such as Russia and other European countries. BC's industry has made assurances to Japan that it will step up to meet the demand as Japan rebuilds from the disaster, which should have at least a short-term impact on BC's lumber exports, but could also help foster longer-term relationships that could expand BC's lumber exports to Japan on a more permanent basis.

Another commodity that could see higher exports to Japan is prefabricated houses. Back in 1994, Japan started to promote the import of foreign-made prefabricated houses and BC's shipments of these units to Japan increased by more than four times in just a few years. However, exports of prefabricated houses to Japan have been falling over the last several years, such that the value of shipments is now about the same as they were before 1994. Given the urgent need for housing following Japan's natural disaster, there is a strong possibility that exports of prefabricated houses to Japan will rise again. At least one Canadian firm with a presence in BC has already been contracted to build prefabricated temporary homes for victims of the earthquake.‡

‡ According to the Canadian Press, Viceroy Homes, a company based in Ontario with a facility in Richmond, BC, is set to ship 200 units to Japan and hopes to win orders for 2,000 to 30,000 additional units.

The Canadian Press, "Pre-fab home firm Viceroy Homes sending temporary shelters to Japan," March 25, 2011.

BC exports of prefabricated houses to Japan have fallen off dramatically in the last few years

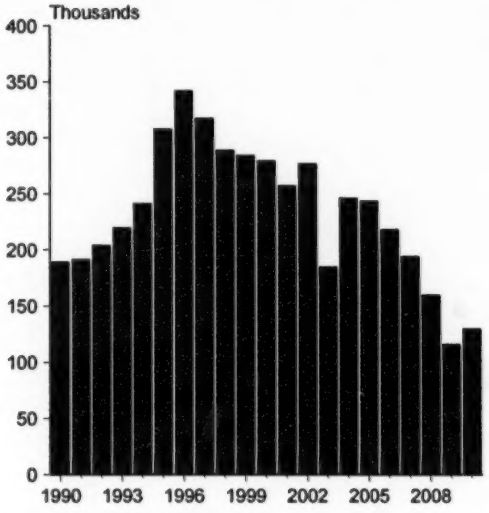


Source: Statistics Canada

Pulp is another significant commodity export from BC to Japan that could experience growth in shipments. A number of Japanese pulp mills were located in the area hit by the tsunami and stocks of raw materials such as pulp and wood chips were damaged. Japan's imports of pulp should increase significantly as the country restocks. Even if BC pulp shipments to Japan remain the same, BC exporters will benefit from higher prices for the product resulting from the overall increase in demand.

On the whole, it appears that the negative impacts of the natural disaster in Japan on BC's commodity exports will be limited and there could actually be some positive impacts for certain exporters. However, for service exports, it could be a different story. While specific data with regard to service exports from BC to Japan are unavailable, around a third of Canada's service exports to Japan are comprised of services related to travel. The number of tourists from Japan visiting BC has already been declining in recent years and it is likely that there will be fewer Japanese tourists to any destination in 2011. The tourism sector is already dealing with a high-valued Canadian dollar and is still trying to recover from the global economic downturn, so this could be another blow to the industry.

The number of travellers from Japan coming to BC has already been down, but it could get worse in 2010 as a result of the earthquake



Source: Statistics Canada

Given the tragic consequences of the earthquake and tsunami for Japan, it is difficult to even consider economic impacts. However, one can take some solace that previous experience with natural disasters indicates that Japan will likely be able to recover fairly quickly and that rebuilding efforts will help Japan's economy at a time when it most needs help. For BC, there will likely be a mix of short-term positive and negative impacts, depending on the sector involved. Whether or not there will be long-term impacts remains to be seen, but in all likelihood, they will be minimal.

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also on the Internet at www.bcstats.gov.bc.ca or choose RSS

BC at a glance . . .

POPULATION (thousands)	Jan 1/2011	% change on one year ago
BC	4,554.1	1.2
Canada	34,278.4	1.1
GDP and INCOME (Released Nov 4)		
(BC - at market prices)	2009	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	191,006	-3.4
GDP *($ 2002 millions)*	161,851	-1.8
GDP *($ 2002 per Capita) (reflects revised pop)*	36,287	-3.5
Personal Disposable Income *($ 2002 per Capita)*	25,374	-1.9
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Feb 2011	3,176	0.9
Merchandise Exports - Feb 2011	2,581	-3.4
Retail Sales - Jan 2011	4,776	-0.4
CONSUMER PRICE INDEX	% change on	12-month avg
(all items - Feb 2011)	one year ago	% change
BC	1.8	1.6
Vancouver	1.8	1.9
Victoria	1.6	1.2
Canada	2.2	1.9
LABOUR FORCE (thousands)		
(seasonally adjusted)	Mar 2011	% change on prev. month
Jobs Created (-Lost) - BC	3.5	
Labour Force - BC	2,464.0	-0.6
Employed - BC	2,264.0	0.2
Unemployed - BC	200.0	-8.1
		Feb 2011
Unemployment Rate - BC *(percent)*	8.1	8.8
Unemployment Rate - Canada *(percent)*	7.7	7.8
INTEREST RATES (percent)	Apr 13/2011	Apr 14/2010
Prime Business Rate	3.00	2.25
Conventional Mortgages - 1 year	3.70	3.60
- 5 year	5.69	5.85
US-CANADA EXCHANGE RATE	Apr 13/2011	Apr 14/2010
(avg. noon spot rate) Cdn $ per US $	0.9640	0.9961
(closing rate) US $ per Cdn $	1.0391	1.0008
AVERAGE WEEKLY WAGE RATE		
(industrial aggregate - dollars)	Mar 2011	% change on one year ago
BC	827.55	0.9
Canada	836.77	2.9

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

Canada Votes – Know Your Riding

On May 2nd Canadians head to the polls. Our Federal Electoral District profiles will help you to understand the characteristics that define your constituency.

http://www.bcstats.gov.bc.ca/data/cen06/profiles/detailed/ch_fed.asp

BC Post-Secondary Student Outcomes - Trends in Employment

Every year, respondents to the Diploma, Associate Degree, and Certificate Student Outcomes (DACSO) Survey are asked a series of questions about their current employment. This paper looks at trends in employment characteristics between 1999 and 2009. The analysis uses data from approximately 6,100 to 8,200 employed former students from Applied programs per year and 750 to 1,600 employed former Arts and Sciences students per year. For more information on BC Student Outcomes, visit BC Student Outcomes

http://outcomes.bcstats.gov.bc.ca/Libraries/DACSO_Papers/Trends_in_Employment_pdf.pdf

BC Post-Secondary Student Outcomes – Without a Trace

The report, Without a Trace - An Examination of Former Post-Secondary Students Who Left the System Without a Credential and Did Not Return, is based on 5,036 completions of the Short Stay Early Leaver Student Outcomes Survey, conducted over the summer of 2009. Respondents from 24 B.C. public post-secondary institutions - research universities, teaching universities, colleges, and institutes - participated in the project. For more information on BC Student Outcomes, visit BC Student Outcomes

http://outcomes.bcstats.gov.bc.ca/Libraries/SSELSO/SSEL_report_Final_pdf.pdf

Released this week by BC Stats

- Exports, February 2011

Next week

- Consumer Price Index, March 2011

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